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## Senate reaches compromise on tobacco tax

## Protects Medicaid funding; offers opportunity for additional funding of life sciences

LANSING – Senate Majority Leader Ken Sikkema applauded his colleagues today for supporting a compromise on the tobacco-tax increase that protects Medicaid funding, offers an opportunity to increase funding for the life-sciences and breaks the logjam in budget negotiations.

"This is a fair proposal and one that allows us to meet our obligation to provide healthcare to Michigan's most vulnerable citizens," said Sikkema, R-Wyoming. "No one wins when lines are drawn in the sand. Everyone wins when we work toward reasonable, responsible compromises."

A Senate Republican plan, offered by Sikkema, Sen. Beverly Hammerstrom, R-Temperance, and Sen. Tom George, R-Texas Township, sends 100 percent of Governor Granholm's proposed 75-cent-a-pack tobacco-tax increase to the Medicaid Trust Fund for the 2004 and 2005 fiscal years. This eliminates the current deficit in the Medicaid Benefits Trust Fund. The plan then sends 75 percent of the tax to the Medicaid Trust Fund and 25 percent of the tax to the General Fund starting in fiscal year 2006.

"It's shortsighted to put all of the money raised through a tobacco-tax increase toward healthcare when we could be providing funding for life-sciences research at the same time," George said. "Too often we look at addressing the symptoms of a disease without adequately funding the research necessary to eradicate it. This compromise helps to do both by shoring up Medicaid and providing money in the General Fund that can be used for life-sciences research and job opportunities."

Sikkema noted that Republicans have been working with State Treasurer Jay Rising on a number of the JOBS Action Plan initiatives and he is pleased with the progress to date. JOBS is a package of bills designed to stimulate the economy and provide additional job opportunities across the state. One of the key pieces of the package that is moving forward provides tax credits to employers for hiring new employees.

"We've made headway on protecting businesses from being penalized for doing what we need them to do – hire more employees," Sikkema said. "Compromise is helping Republicans get job-creation legislation approved and today's compromise is helping us balance the budget. By signing these bills, the governor will be joining us in addressing short-term budget deficits and long-term economic opportunities."

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